KPMG

CIES THE FOOD BUSINESS FORUM

CONSUMER MARKETS

KPMG/CIES Survey 2008

A survey into the growth and sustainability issues driving consumer organizations worldwide

September 2008

KPMG INTERNATIONAL

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Introduction

On 18-20 June 2008, over 750 senior members of the global food, drink and retail industry gathered to attend the CIES World Food Business Summit [1] in Munich, Germany. This annual event carried the theme of ‘Growth and Sustainability: Building Profit with Responsibility’, bringing to the fore one of the most pertinent issues driving the industry at the moment.

KPMG and CIES took the opportunity to survey this audience during the course of the summit to provide an insight into the industry’s growth plans and strategy, and its approach and response to sustainability. Some interesting results were obtained relating not only to sustainability, but also to the areas of cost optimization and recruitment and retention.

The results are summarized in this paper which has been structured along the four main themes:

1. Growth
2. Sustainability
3. Cost Optimization
4. Human Capital

Like us, we’re sure you’ll find the results make very interesting reading.

This paper is not a raw translation of the results of the survey. It has been supplemented with additional findings and data, whether from the public domain or from the proprietary knowledge of KPMG member firms and CIES. The main aim is to enhance the responses and provide you with a broad ranging picture.

We hope you enjoy the read.

Gareth Ackerman
Chairman, CIES Summit Committee
Chairman, Pick ‘n’ Pay Holdings Ltd.

Neil Austin
Global Chairman, Consumer Markets,
KPMG in the U.K.

[1] CIES - The Food Business Forum is an independent global food business network. It brings together the CEOs and senior management of around 400 retailer and manufacturer members of all sizes, across 150 countries. CIES has been growing with the food business for 55 years. It provides a global platform for thought leadership, debate and networking between retailers and their partners. The World Food Business Summit is a member exclusive annual event for leaders of the global food business and seeks to provide penetrating insights and knowledge on the key challenges facing the global food industry. For more information on the CIES World Food Business Summit, go to www.ciessummit.com

Executive Summary

At the CIES World Food Business Summit in June 2008 in Munich, Germany, KPMG conducted a detailed survey of over 200 corporate members of the audience to provide an insight into the nature of corporate sustainability.

The results suggest that a large proportion of these companies now see sustainability not as a net cost, but rather as a competitive strategy that can help build growth and profitability at a time when consumption growth is slowing and profits are under pressure from rising input costs.

Key Findings

Growth

Existing markets considered main source of growth

Companies prefer **organic growth** over mergers, acquisitions or joint ventures. The pattern of preference for sustainable organic growth over alternative strategies was duplicated in all global regions.

Many remain focused on **growth in existing markets**. While companies may be attracted by high returns from new and developing markets, these markets remain higher risk and companies will continue to focus on developing new products for the existing customer base.

Overall, companies consider **human resource constraints** to be the biggest obstacle to achieving growth. Manufacturers are more concerned with input costs.

Sustainability

Sustainability primarily seen as driver of innovation than cost

Many companies participating in the CIES World Food Business Summit say that their sustainability strategies are profit oriented: they see sustainability primarily as a **driver of innovation**, rather than a cost burden. Manufacturers are most likely to see sustainability as a driver of innovation.

Over half of the companies surveyed say sustainability criteria are **integrated in the core business**. Only just over 11 percent of companies treat sustainability as separate from the core business.

Companies are most likely to consider **stakeholder demand** as the key driver of sustainability strategy adoption. Just over 21 percent of the sample selected supply chain pressure, but carbon costs were cited by only 4.8 percent of the sample.

A large majority of companies believe the direct financial impact on the company of sustainability strategy to be either neutral or positive.

A majority (over 52 percent) of companies believe that the effect of an economic downturn would be to reduce or put on hold sustainability investment. However, more believed that investment would increase (11.3 percent) than believed investment would be put on hold (4.4 percent). Manufacturers were most likely to maintain or increase sustainability investment.

Companies were most likely to cite the identification and prioritization of issues as the greatest challenge in developing their sustainability strategy. However, companies in the Americas are markedly more concerned by measuring performance than businesses elsewhere.

Cost increases mostly passed onto suppliers, customers, or both

Companies are most likely to consider that alternative power sources will represent the biggest future business opportunity. Education was also considered significant.

Cost Optimization

Most companies (56.3 percent) are passing on cost increases either to suppliers, customers, or both. A significant minority (38.6 percent) said they preferred to absorb cost increases through an internal cost reduction program – only 5.1 percent said they were taking no action.

Human Capital

Cross-referenced response data also showed a marked correlation between human resource concerns and sustainability strategy. Companies most positive about the impact of sustainability on their bottom line were also most concerned about human capital. Also, those companies that viewed sustainability as an important driver of innovation were much more likely than others to consider human capital their main growth challenge.

Companies most positive about the impact of sustainability on their bottom line also most concerned about human capital

Conclusion

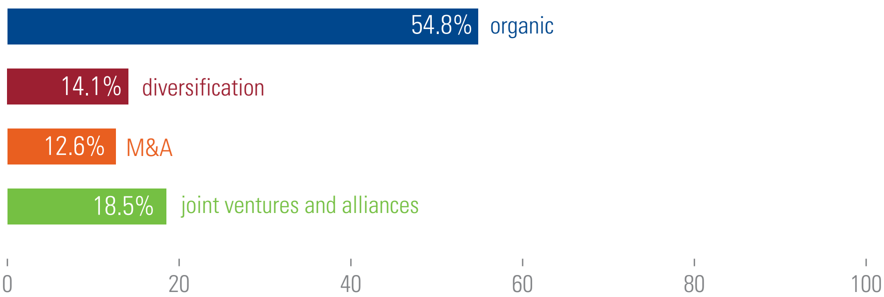
It appears that, for this sample of companies, sustainability has become integral to business. The results support the view that businesses are now treating the corporate responsibility agenda as an opportunity to innovate, to differentiate their businesses from the competition, and to add value and increase profits.

Growth

When asked 'what is your growth strategy?', a large majority of global food businesses said they preferred to follow a strategy of organic growth rather than growing by diversification, mergers and acquisitions, or joint ventures.

Organic growth preferred growth strategy

Figure 1: What is your growth strategy?



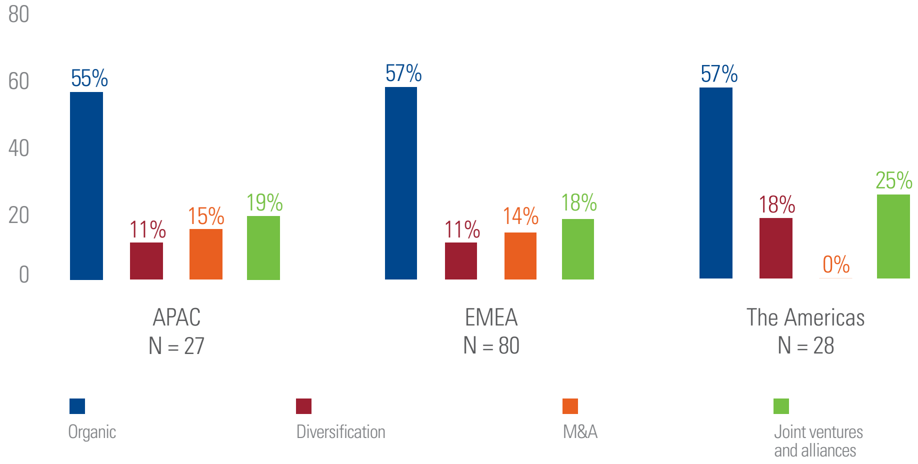
This represents a very clear preference for sustainable growth, given that the alternatives of diversification, acquisitions and joint ventures could be seen as higher risk strategies that could fail to deliver long term value to shareholders. It is likely that it also reflects current credit conditions which have increased the cost of debt finance for new acquisitions.

"Organic growth is the preferred strategy because global businesses see the opportunity to take their existing brands into the new high growth consumer economies such as China, Russia, India and Brazil," says David McCorquodale of KPMG's Corporate Finance practice in the U.K. "It is a lower risk and potentially higher return decision to go for organic growth through geographic expansion – with the establishment of good distribution networks, global companies can reach and penetrate a fast growing, potentially high spending population and achieve greater returns than they can in their existing markets."

This pattern of preference for organic growth over alternative strategies was duplicated in all global regions, with companies in Asia Pacific (APAC), in Europe, Middle East and Africa (EMEA), and the Americas, in very close agreement on the preference for organic growth. However, companies in the Americas are somewhat more likely to follow joint venture and diversification strategies than companies elsewhere, while no companies from the Americas preferred growth through mergers and acquisitions.

No companies from the Americas preferred growth through mergers and acquisitions

Figure 2: What is your growth strategy?



When asked 'where do you see your major growth coming from?' among new or existing products and new or existing markets, companies marginally preferred to seek growth from new products in existing markets.

Figure 3: Where do you see your major growth coming from?

This result is consistent with the preference for organic growth, in that many food sector companies are seeking to use sustainability principles to drive the renewal of their product lines (and 47.7 percent of companies in the sample say they see sustainability primarily as a driver of innovation – see Figure 6).

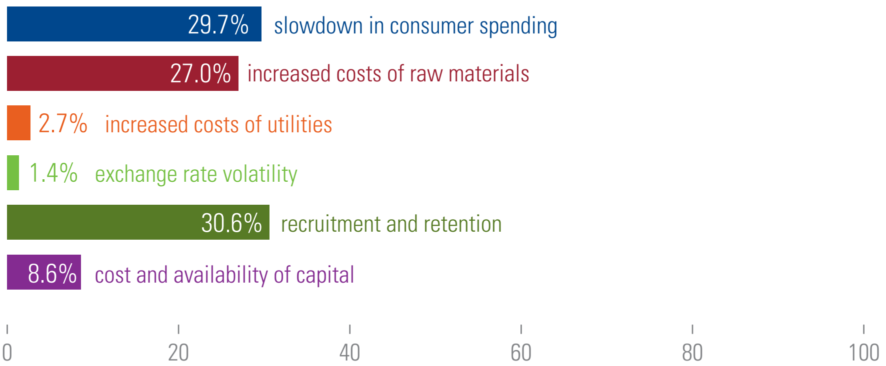
"Global brand companies pursue intense strategies of new product development – many will look for as much as 75 percent of sales to derive from products developed in the previous two years – so as to ensure that the brand remains relevant and can react quickly to changing tastes or trends such as the move towards healthier eating," says KPMG's David McCorquodale. "One reason for this is that while companies are attracted by high returns from new and developing markets, there is still a fear of risk in these markets, so there is also a drive to develop new products for the existing customer base."

"While companies are attracted by high returns from new and developing markets, there is still a fear of risk in these markets, so there is also a drive to develop new products for the existing customer base"

David McCorquodale
Corporate Finance
KPMG in the U.K.

When asked 'what is the number one factor likely to challenge your growth plans?', companies were most likely to cite challenges in recruitment and retention, but consumer slowdown and increased raw material costs were given almost the same weight.

Figure 4: What is the number one factor likely to challenge your growth plans?

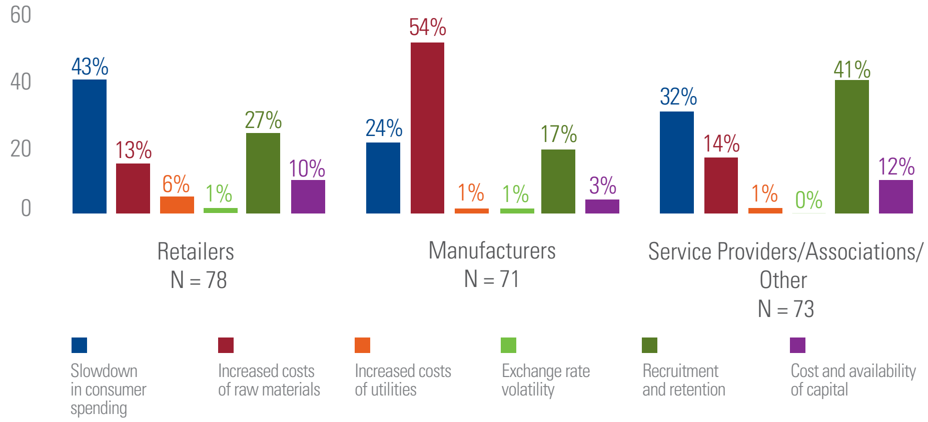


This result is a clear indicator of the critical role that companies believe human resource plays in securing sustainable growth. Companies consider human resource constraints as even more significant than consumer slowdown and rising input costs, despite the fact that both of those constraints have intensified sharply during 2008.

However, the threat to growth looks markedly different when the survey responses are broken down by company type. Manufacturers are least likely to consider recruitment and retention an area of threat: they are most concerned about raw material costs (54 percent of companies). Retailers are most concerned about consumer slowdown, closely followed by recruitment and retention.

Human resource constraints considered more significant than consumer slowdown and rising input costs

Figure 5: What is the number one factor likely to challenge your growth plans?



Many of the companies that participated in the survey do believe that an integrated sustainability strategy is an effective way of limiting risks to the bottom line. "Sustainability limits risk," says Dr August Oetker, CEO of European food manufacturer Dr Oetker[2]. "It reduces your vulnerability to attack and at the same time it strengthens the brand, it strengthens sales, and it strengthens recruitment."

[2] Quoted at CIES World Food Business Summit, 18-20 June 2008, Munich, Germany

Sustainability

Many companies participating in the CIES World Food Business Summit say that their sustainability strategies are profit oriented: they see sustainability primarily as a driver of innovation, rather than a cost burden.

Sustainability mostly seen as profit and growth oriented

For example, Mark Price, managing director of Waitrose[3], a private partnership food retailer that operates 185 up-market supermarkets in the U.K., says that sustainable business emphasizes profits through innovation rather than through cost cutting. "The question is not whether this is a cost, but what is the best business model to embody sustainability," he says. "You can have what I call the fit model, where you reduce operational cost to reduce product cost to gain more customers. Or you can have the sustainable model, where you invest in product innovation to attract the increasing proportion of customers who are willing to pay more for innovation."

When asked 'what best describes your business' approach to sustainability/corporate responsibility?', almost half of companies said that it was primarily a driver of innovation.

Figure 6: Which of the following best describes your business' approach to sustainability/corporate responsibility?

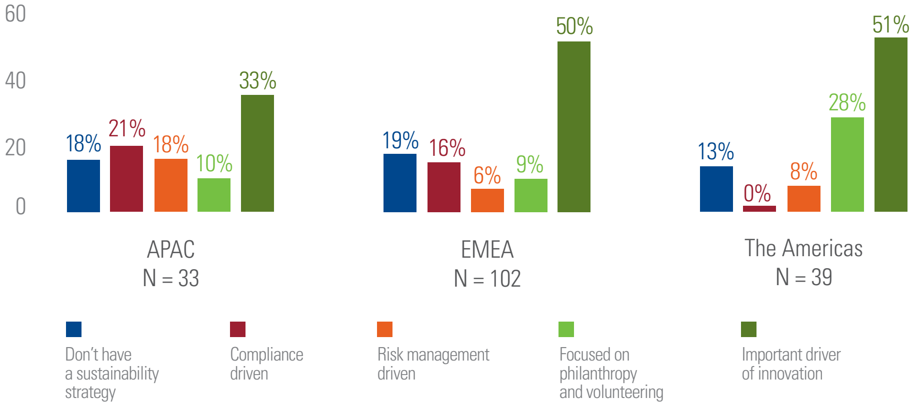
[3] Quoted at CIES World Food Business Summit, 18-20 June 2008, Munich, Germany

Compliance driven strategy and sustainability based on philanthropy were given almost equal weight (13.8 percent and 14.4 percent respectively) while less than 9 percent of companies said sustainability was risk management driven. Only 15.5 percent of companies said they had no sustainability strategy, with a relatively consistent response across the regions (APAC 18 percent , EMEA 19 percent, Americas 13 percent).

The results show equally clear preferences when assessed by region and by company type. Companies in EMEA and the Americas are most likely to see sustainability as a driver of innovation, with almost identical results in both regions. However, companies in APAC are less likely to follow an innovation focused sustainability strategy than those elsewhere. Companies in EMEA are the most likely to have no sustainability strategy at all (18.6 percent).

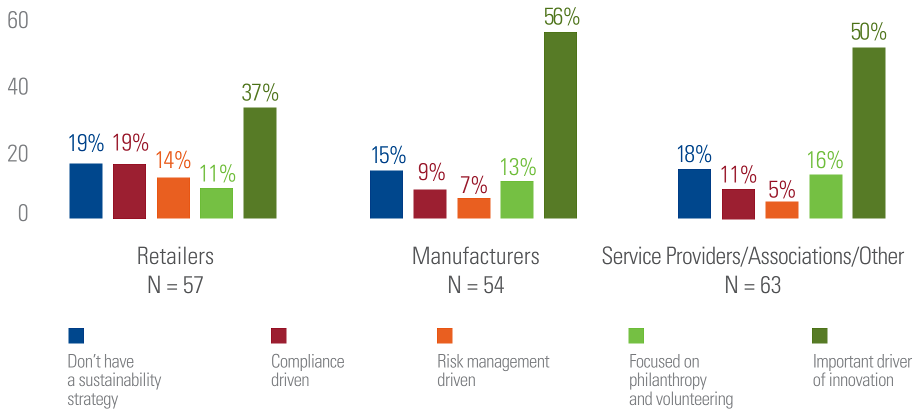
Companies in EMEA and the Americas most likely to see sustainability as a driver of innovation

Figure 7: Which of the following best describes your business' approach to sustainability/corporate responsibility?



Results by company type show an even stronger pattern of preference, with manufacturers most likely to see sustainability as a driver of innovation (over 55 percent). Retailers were less likely to do so (under 40 percent), but still preferred this interpretation of sustainability over any other.

Figure 8: Which of the following best describes your business' approach to sustainability/corporate responsibility?



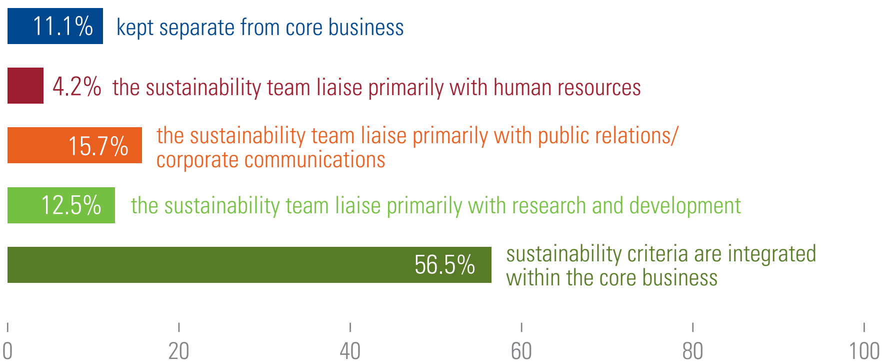
"These results show very clearly that sustainability is a positive driver for business," says Wim Bartels, KPMG's Global Sustainability Services in the Netherlands; "the business agenda is now one of driving profit through sustainability." But he adds "the number of businesses that still do not have a sustainability strategy in place – especially in EMEA – is surprising. It shows that a significant number of companies have still not thought through how sustainability issues are likely to affect the long term health of their business."

"These results show very clearly that sustainability is a positive driver for business. The number of businesses that still do not have a sustainability strategy in place though – especially in EMEA – is surprising"

Wim Bartels
Global Sustainability Services
KPMG in the Netherlands

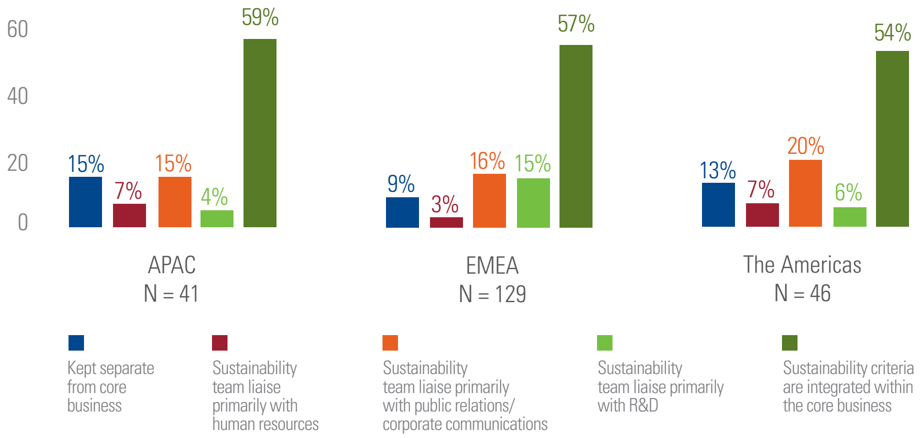
When asked 'to what extent is sustainability integrated within the business?', a large majority (56.5 percent) said that sustainability criteria were integrated in the core business.

Figure 9: To what extent is sustainability integrated within the business?



The results show that companies do not treat sustainability as a strategic 'add on', but a central component of strategy. Only just over 11 percent of companies treat sustainability as separate from the core business. However, a small but significant proportion of companies (15.7 percent) treat sustainability as primarily a public relations and communication tool.

Figure 10: To what extent is sustainability integrated within the business?

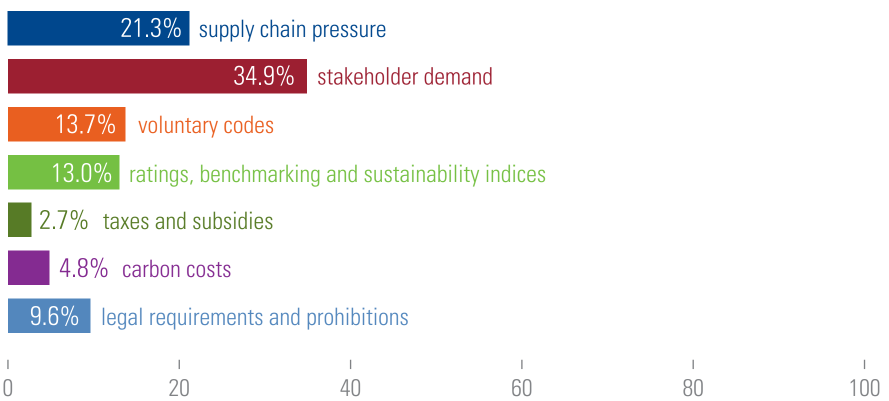


The results show very little regional characteristics: a large majority of companies in all regions treated sustainability as a core component of strategy. APAC companies were very marginally more likely to treat sustainability as separate from the core business, and significantly less likely to treat it as an R&D issue than companies from either EMEA or the Americas.

When asked 'what is the most important driver of sustainability in your business?', companies were markedly more likely to choose stakeholder demand.

Sustainability treated as core component of strategy by large majority of companies in all regions

Figure 11: What is the most important driver of sustainability in your business?



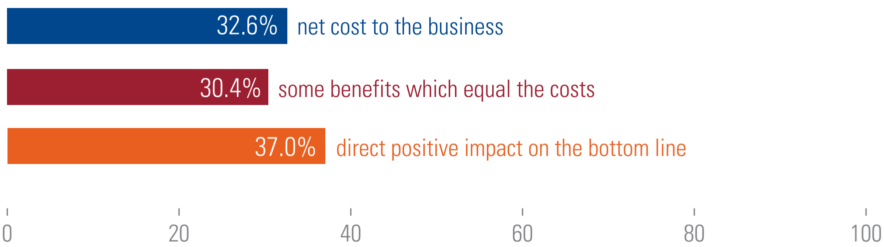
Adoption of sustainable business strategies primarily driven by business need than formal requirements

This result confirms that the adoption of sustainable business strategies is not primarily driven by formal requirements, but rather by the imperative of business need. Voluntary codes, ratings and legal requirements all attracted responses from less than 15 percent of the survey participants. It is also striking that carbon costs was only selected as a driver of sustainability by nearly five percent of the sample. Just over 21 percent of the sample selected supply chain pressure, although some companies may include supply chain demands in the stakeholder category.

This high propensity of companies to see sustainability as driven by stakeholder demand is further confirmation that a majority of companies now see sustainability as a competitive strategy that is demanded by owners. For example, the world's largest carpet tile manufacturer InterfaceFLOR says that it is on track to reduce waste and carbon emissions to zero by 2020, but that the reason for adopting that target is to reduce cost and improve competitiveness. "If you eliminate waste, you can simultaneously eliminate cost," says the company's CEO, Ray Anderson[4]. "The target should be to reduce the environmental impact of your business to zero. From a business perspective you can achieve that target at the expense of competitors who are inefficient adaptors."

When asked 'what financial impact is sustainability having on your business today?', a large majority of companies said the strategy was either neutral or profitable.

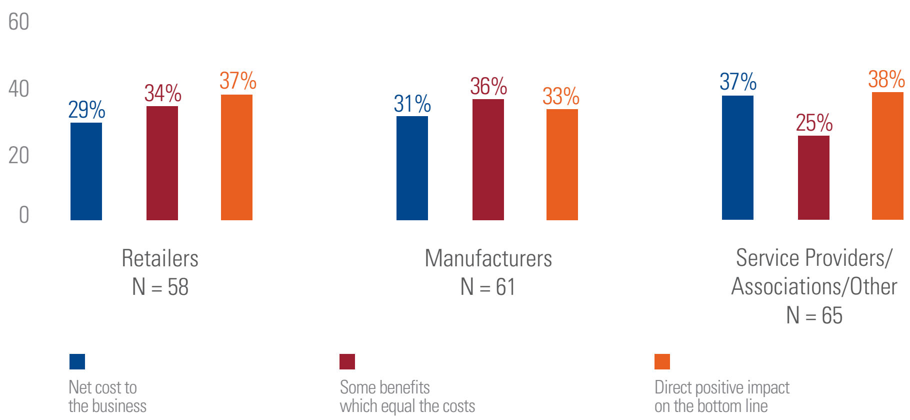
Figure 12: What financial impact is sustainability having on your business today?



"This is a very strong result in favor of sustainability as an integral part of business strategy. It confirms the more widely spread evidence that sustainability contributes to business value"
Wim Bartels
Global Sustainability Services
KPMG in the Netherlands

The largest group of survey respondents (37 percent) said that sustainability is a profit oriented strategy. When those that thought the financial impact of sustainability was currently neutral are added, 67.4 percent said that sustainability does not impose cost on the business. "This is a very strong result in favor of sustainability as an integral part of business strategy," says Wim Bartels. "It confirms the more widely spread evidence that sustainability contributes to business value."

Figure 13: What financial impact is sustainability having on your business today?



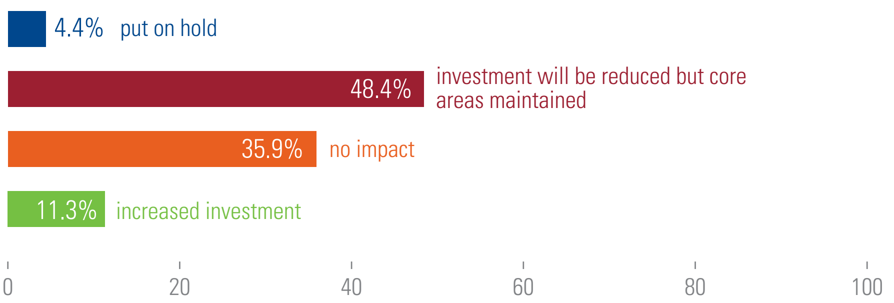
[4] Quoted at CIES World Food Business Summit, 18-20 June 2008, Munich, Germany

Analysis of the results according to company type uncovers revealing variations between sectors. Retailers are more likely to believe that the net financial impact of sustainability is positive than negative, whilst manufacturers believe the financial impact to be neutral. However, in both sectors, the number of companies that see sustainability as a net cost is a minority by a significant margin.

The differential results suggest that today sustainability is a powerful tool for communicating with the end customer. That is certainly the view of the REWE Group, a cooperative retail and wholesale network with over 12,000 stores in Europe. "Customers are now very sensitive to the way you behave," says Alain Caparros, REWE Group CEO[5]. "Today we are fighting for the trust of the end customer. Business in the future will not be based on competing on price, it will be all about competing on trust."

When asked 'in an economic downturn, what would the impact be on your business' sustainability strategy?', a small majority of companies believed that the effect of the downturn would be to reduce sustainability investment.

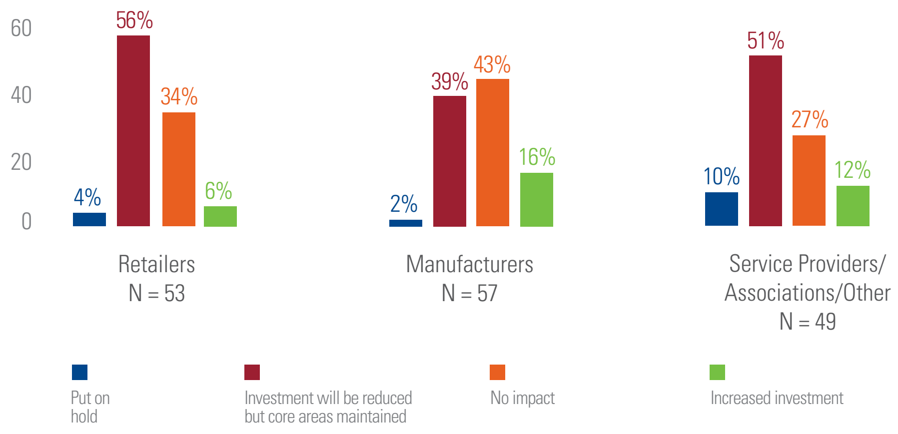
Figure 14: In an economic downturn, what would the impact be on your business' sustainability strategy?



Just over 52 percent of companies believed that sustainability investment would be put on hold or reduced in an economic downturn

Just over 52 percent of companies believed that sustainability investment would be put on hold or reduced in an economic downturn. The remainder believed the impact would be neutral or positive for investment. More believed that investment would increase (11.3 percent) than believed investment would be put on hold (4.4 percent).

Figure 15: In an economic downturn, what would the impact be on your business' sustainability strategy?



[5] Quoted at CIES World Food Business Summit, 18-20 June 2008, Munich, Germany

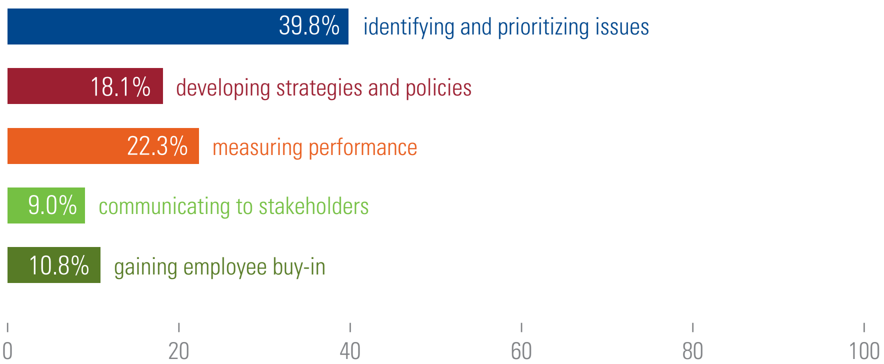
When the results are analyzed by business type, manufacturers emerged as the most positive on sustainability investment: only a marginal proportion of the manufacturer participants (1.75 percent) believed that investment would be put on hold, while nearly 60 percent believed investment would either be unaffected or increase. The results suggest that manufacturers may be somewhat more inclined to take a long term positive view of the value of sustainability investment.

Manufacturers emerged as the most positive on sustainability investment: nearly 60 percent believed investment would either be unaffected or increase

However, a significant number of companies in all sectors believe that continued investment to improve the sustainability of their businesses is a necessity. “It is not a question of whether we can afford sustainability,” says Alain Caparros of the REWE Group[6]; “the fact is we cannot afford not to afford it.”

When asked ‘when developing a sustainability strategy, which areas pose the greatest challenge?’, most companies (almost 40 percent) said identifying and prioritizing issues remained the key challenge.

Figure 16: When developing a sustainability strategy, which of the following areas poses the greatest challenge?



These results suggest strongly that companies believe their current sustainability challenges lie more in the realm of understanding how to make their businesses sustainable than in the realm of communicating to employees or external stakeholders. Just over 80 percent of companies said that the challenge lay in identifying issues, developing strategies to meet those issues, and measuring performance.

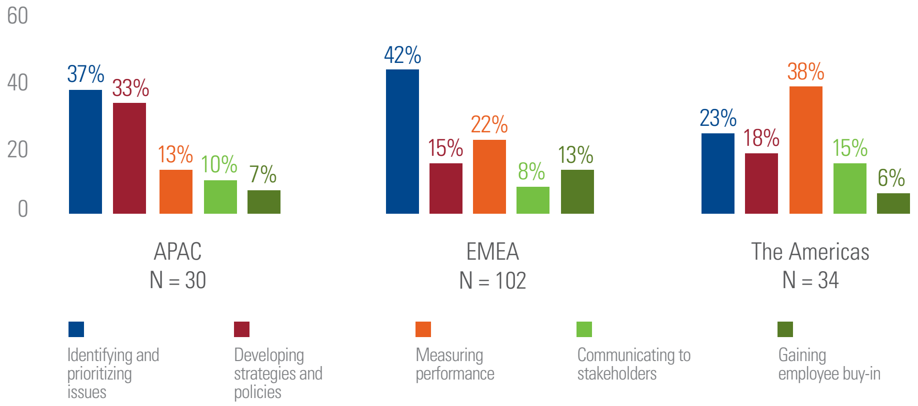
“The focus has moved away from the publication of a glossy corporate responsibility report to the more challenging exercise of identifying and prioritizing material issues”

Wim Bartels
Global Sustainability Services
KPMG in the Netherlands

These results support the hypothesis that sustainability is moving out of the realm of public relations and into the realm of core business strategy. “The focus has moved away from the publication of a glossy corporate responsibility report to the more challenging exercise of identifying and prioritizing material issues,” says Wim Bartels. Wim adds “this should always be the first step on the corporate responsibility ladder, followed by setting the appropriate strategy and governance structure, establishing key performance indicators and finally communicating these credentials to the relevant range of internal and external audiences.”

[6] Quoted at CIES World Food Business Summit, 18-20 June 2008, Munich, Germany

Figure 17: When developing a sustainability strategy, which of the following areas poses the greatest challenge?

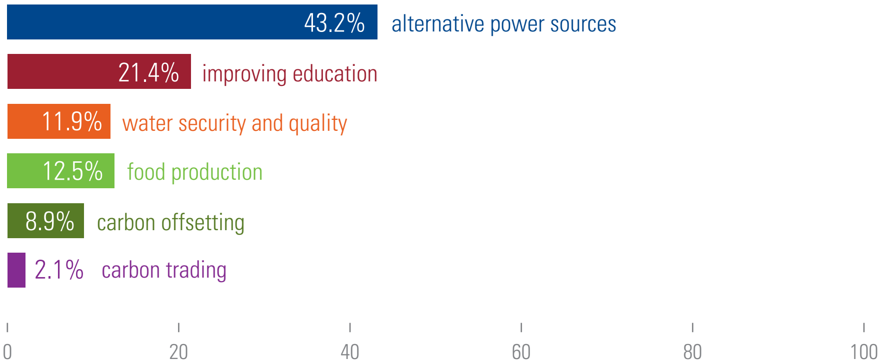


The results seen by region show significant differences in corporate approaches. Companies in the Americas are markedly more concerned by measuring performance than businesses elsewhere, and less concerned with identifying issues, suggesting that these companies may believe themselves to be further along the sustainability curve than others. Companies in the EMEA region are more concerned with the primary challenge of identifying and prioritizing issues.

Companies in the Americas are markedly more concerned by measuring performance than businesses elsewhere, suggesting that these companies may believe themselves to be further along the sustainability curve than others

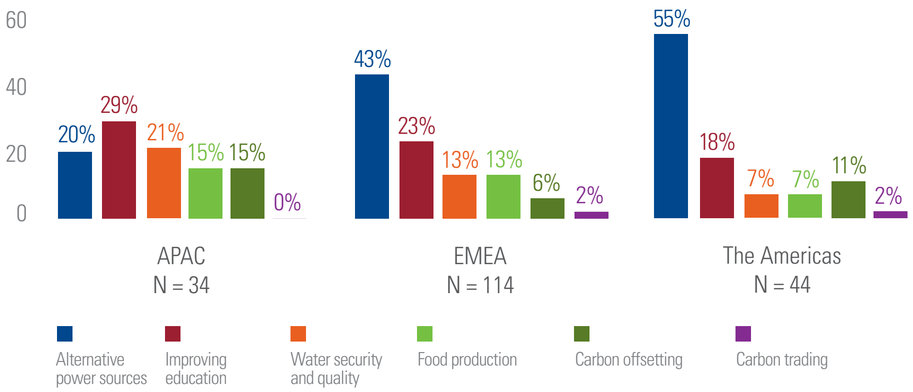
When asked 'which areas of sustainability do you think will be the major opportunity for business to address in the future?', a clear majority of respondents chose alternative power sources.

Figure 18: Which of the following areas of sustainability do you think will be the major opportunity for business to address in the future?



Power (43.2 percent) and education (21.4 percent) attracted most replies from companies surveyed. Given that the companies surveyed were all in food or related businesses, food production was selected by a surprisingly low 12.5 percent of respondents. Consistent with results in other questions, few companies believed that either carbon offsetting (8.9 percent) or carbon trading (2.1 percent) offered significant opportunities.

Figure 19: Which of the following areas of sustainability do you think will be the major opportunity for business to address in the future?



Some significant differentials emerged on a regional basis. Alternative power sources were preferred strongly by companies in the Americas (54.5 percent); a smaller majority in EMEA (43 percent) also preferred alternative power, while companies in APAC considered that improving education rated above alternative power as a sustainability opportunity, reflecting the focus on education in this region. APAC companies also had a greater preference for water security and quality (20.6 percent) over EMEA (13.2 percent) and the Americas (6.8 percent).

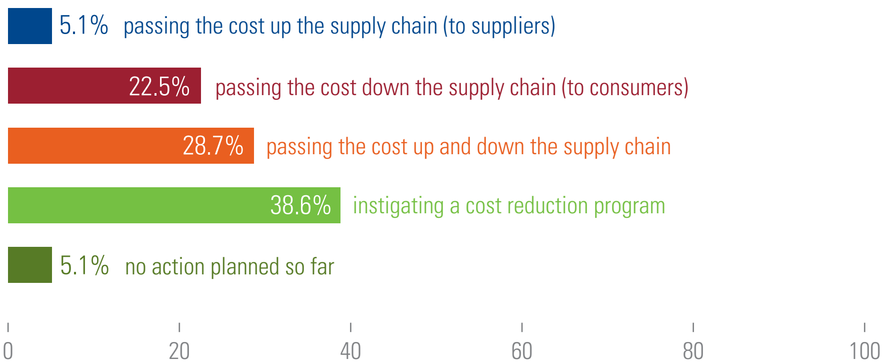
Food production selected by a surprisingly low 12.5 percent of respondents

Overall, more than half of companies consider that the main sustainability opportunities lie in areas unrelated to climate change. “On the face of it this is a surprising result, but KPMG member firms often find that, for large companies, the sustainability impact is much wider than climate change,” says Wim Bartels. Wim adds “because of the specific supply chain issues and the widespread natural resource constraints in this industry, it is easy to understand that issues such as food production, water security and alternative power sources score much higher than others such as carbon offsetting and carbon trading.”

Cost Optimization

When asked 'what action are you taking due to rising costs?', most companies said they were passing on cost increases.

Figure 20: What action are you taking due to rising costs?

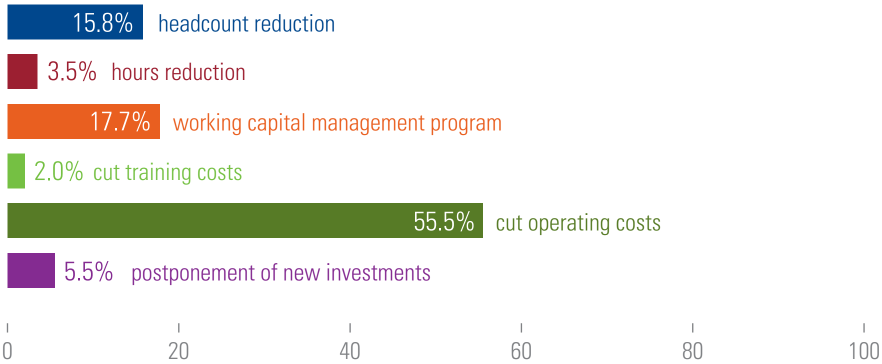


Most companies either reducing costs or passing on cost increases

Most companies said they were either reducing costs or passing on cost increases (only 5.1 percent of companies said they were taking no action). However, a significant majority (56.3 percent) preferred to pass on cost increases, whether up the supply chain to suppliers, down to customers, or both. A significant minority (38.6 percent) said they preferred to absorb cost increases through an internal cost reduction program.

When asked what specific cost reduction measures they were taking, most companies (55.5 percent) preferred to cut operating costs, compared to human resource cuts (21.3 percent) or reduction in new investments (5.5 percent). A significant minority chose to cut working capital (17.7 percent).

Figure 21: Is your company considering or implementing cost reduction measures? If so, which of the options below is this most likely to involve?



Companies agree that cutting costs is an important response to a global downturn – KPMG forecasts that gross domestic product (GDP) growth in the U.S. will be well below the 10-year average in 2008, and somewhat below the average in the Eurozone. According to Gordon Campbell, managing director of SPAR International[7], the global arm of the world's biggest food retailer, with around 13,500 stores in 33 countries worldwide, the current downturn is driving food companies back to review the effectiveness of their underlying business models. Gordon Campbell says "wholesalers will have to continue to improve efficiency and reduce costs. Retailers will have to focus on simplicity. Everybody will have to use more technology. And everybody will have to offer more services to the customer."

"The ability to deliver substantial and sustained cost reductions is now becoming a necessity rather than a luxury"

Adeeb Dhallai
Advisory Services
KPMG in the U.K.

"The ability to deliver substantial and sustained cost reductions is now becoming a necessity rather than a luxury," says Adeeb Dhallai of KPMG's Advisory Services in the U.K. "A number of factors are combining to put the issue of cost reduction at the top of the business agenda, including the impending economic downturn, cost inflation, and the emergence of increasingly complex business structures in response to the demands of customers. But companies that make arbitrary cuts in headcount or marketing, or reduce working capital by simply passing on costs, are not addressing their structural cost drivers. A balanced cost optimization approach which addresses processes and organizational structures, and the business operating model, can help to increase the probability of longer term sustainable cost reduction."

Nevertheless, Gordon Campbell[8] believes that cost reduction remains secondary to the search for growth. "For the next 10 years we just see opportunity," he says. "It doesn't matter how poor the immediate outlook is in the developed world, the emerging economy opportunities are going to compensate. What we are going to see in Europe is even more consolidation. What we are going to see in the emerging markets is growth."

[7] Quoted from interview with KPMG International during CIES World Food Business Summit, 18-20 June 2008, in Munich, Germany

[8] Quoted from interview with KPMG International during CIES World Food Business Summit, 18-20 June 2008, in Munich, Germany

Human Capital

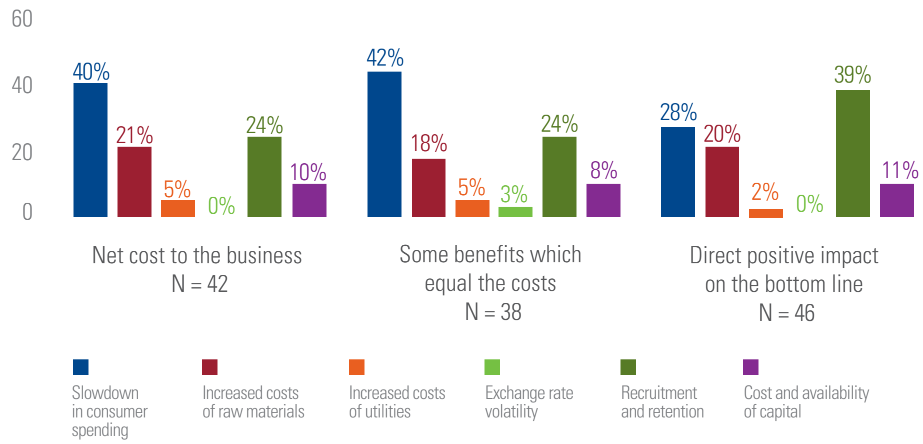
Companies participating in the CIES World Food Business Summit put recruitment and retention (30.6 percent) marginally ahead of consumer slowdown (29.7 percent) or increased costs of raw materials (27 percent) to lead their list of current growth challenges. This very clear result suggests that accumulating and preserving human capital remains at the top of the agenda for corporate strategists.

> "Sustainability is now fundamental to meeting the recruitment challenge"
>
> Mark Smith
> Advisory Services
> KPMG in Canada

But is the human capital challenge related to the intensity of a company's engagement with sustainability? Further analysis of the survey results suggests that it is. When companies' views of growth challenges were matched against their rating of the financial impact of sustainability on their business, it emerged that companies most positive about the impact of sustainability on the bottom line were also most concerned about human capital. For companies that believed that sustainability was either a net cost to the business or was financially neutral, consumer slowdown led their list of growth challenges. But companies that saw a positive financial impact of sustainability were markedly more concerned about recruitment and retention than about any other growth challenge.

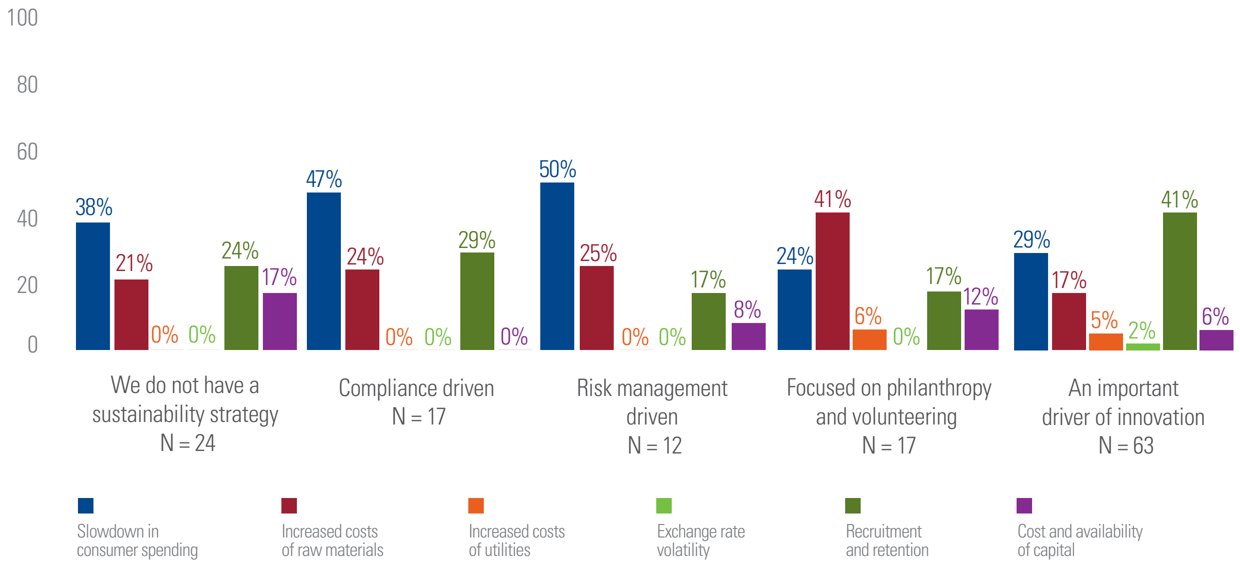
Mark Smith, KPMG's Advisory Services in Canada, agrees that sustainability is now fundamental to meeting the recruitment challenge. "At KPMG, we consider our corporate responsibility programs to be a significant contributing factor in attracting high caliber graduates," he says. "After pay and reward the opportunities to volunteer and other such activities are one of the most frequently asked questions during the graduate interview process."

Figure 22: What is the number one factor likely to challenge your growth plans?
What financial impact is sustainability having on your business today?



There are further correlations that support the hypothesis that companies with the most profit oriented views of the role of sustainability are also the most likely to consider the human resource challenge a central one. When companies' views of growth challenges were matched against their approaches to corporate sustainability, those companies that viewed sustainability as an important driver of innovation were much more likely to consider human capital their main growth challenge. Companies with either no sustainability strategy or that ascribed sustainability a less central role were more likely to consider slowdown in consumer spending or raw material costs to be a bigger growth challenge.

Figure 23: What is the number one factor likely to challenge your growth plans?
Which of the following best describes your business' approach to sustainability/corporate responsibility?

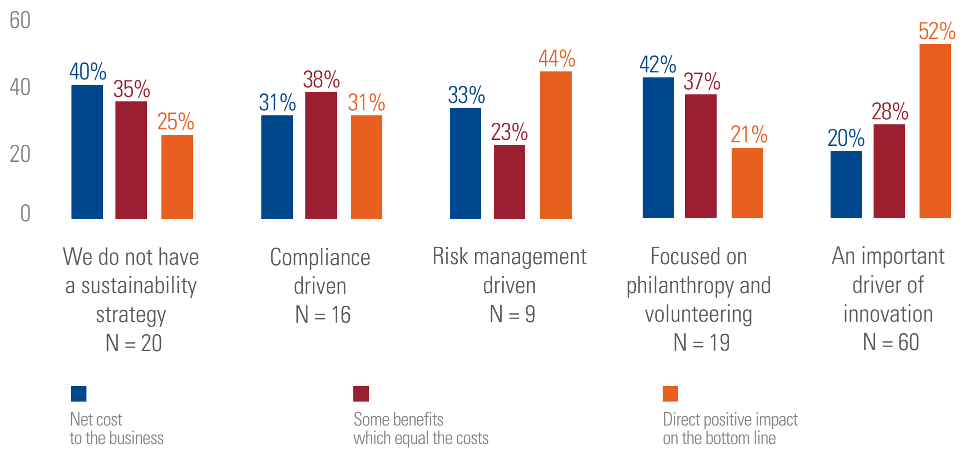


Summary

"These results support the view that a large proportion of businesses are now treating the corporate responsibility agenda as an opportunity to innovate, and differentiate their businesses from the competition," according to Neil Austin, Global Chairman, Consumer Markets, KPMG in the U.K. "The approach has evolved from a risk management focus, with businesses now recognizing how sustainability can help deliver cost reduction, employee retention, customer loyalty and increased market share," he says.

The results are also a confirmation and development of survey data from other sources. For example, according to a 2007 survey conducted by Goldman Sachs[9], 68 percent of senior executives are focusing on corporate responsibility activities to generate new revenue streams and 54 percent believe that such initiatives contribute to giving their corporations a competitive advantage. The 2008 KPMG/CIES survey helps to provide further confirmation of that pattern: for example, when companies' approaches to sustainability were matched against the rating of the financial impact of sustainability on their business, it emerged clearly that companies that ascribe a central innovation driving role to sustainability also see the most positive impact on the corporate bottom line.

Figure 24: Which of the following best describes your business' approach to sustainability/corporate responsibility? What financial impact is sustainability having on your business today?



One of the conclusions to be drawn is that for a large proportion of companies, sustainability is now about profit. Says Gareth Ackerman, Chairman, CIES Summit Committee and Chairman, Pick 'n' Pay Holdings Ltd., "the most successful companies in the future will be the companies that care about the triple bottom line – about the economic bottom line, the environmental bottom line and the social bottom line."

[9] www.unglobalcompact.org

kpmg.com

ciesnet.com

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